



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Drew H. Wrigley
Attorney General

Doug Goehring
Agriculture Commissioner

Memorandum

TO: Oil and Gas Research Council
FR: Reice Haase, Deputy Executive Director, NDIC
DT: December 8, 2022
RE: Consideration of Amendment to Contract G-049-092: Variance from OGRC Policy 3.02 – Matching Funds

House Bill 1014 passed in the 2019 Legislative Assembly directed the Industrial Commission to use \$6 million from the Oil and Gas Research Fund to study underground storage of produced natural gas:

Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$6,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for pilot projects relating to the underground storage of produced natural gas. The pilot projects may include studies and demonstration projects.

Contract G-049-092: “Underground Storage of Produced Natural Gas” was approved by the Commission in June 2019 with a 50% industry cost share. On July 26th, 2022, the Oil and Gas Research Council voted to recommend the Industrial Commission reallocate \$2.5 million from Contract G-049-092 to Contract 054-104 for the purposes of covering cost increases incurred due to drilling challenges. In August 2022, the Commission approved a contract amendment which reallocated \$2.5 million from Contract G-049-092.

Approximately \$2,929,800 of the NDIC project share has been paid to date. With the \$2.5 million budget reduction, approximately \$570,200 of NDIC project share remains in the budget:

Sponsors	Revised Budget	Expenses Paid To Date	Balance
NDIC	\$3,500,000	\$2,929,800	\$570,200
Industry Share – In-Kind	\$3,500,000	\$2,611,339	\$888,661
Total	\$7,000,000	\$5,688,441	\$1,311,559

EERC has indicated they are able to complete all project deliverables with the remaining budget by June 30th, 2023. However, they are unable to secure the remaining match, and have requested a variance from OGRC Policy 3.02 – Matching Funds to allow for completion of the project with a 57% NDIC match.

Contract G-049-092 was a legislatively-directed study, and HB 1014 did not include a match requirement. **Therefore, I recommend that the Oil and Gas Research Council support a variance from OGRC Policy 3.02 – Matching Funds for Contract G-049-092.**